



ALGONQUIN FORESTRY AUTHORITY

Fifteenth Annual Report 1986-1987



Ministry of
Natural
Resources

TO HIS HONOUR

The Lieutenant-Governor
of the Province of Ontario

MAY IT PLEASE YOUR HONOUR

The undersigned begs respectfully to present your Honour the Annual Report
of the Algonquin Forestry Authority for the year beginning April 1, 1986 and end-
ing March 31, 1987.

VINCENT G. KERRIO
Minister



Algonquin
Forestry
Authority

Honourable Vincent G. Kerrio
Minister of Natural Resources

Honourable Sir:

I have the honour to submit to you the Annual Report of the Algonquin Forestry Authority
for the year beginning April 1, 1986 and ending March 31, 1987. -

P.I. Roche
Chairman

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CHAIRMAN'S FOREWORD

The Board met six times during the year to carry out its mandate to direct the affairs of the Authority on behalf of the Minister of Natural Resources. Two meetings were held with Park allocation holders and there were various consultations with the Ministry of Natural Resources and Industry Staff. Field tours of various aspects of logging and forest management work are included in these meetings to keep Board members aware of practices in the Park.

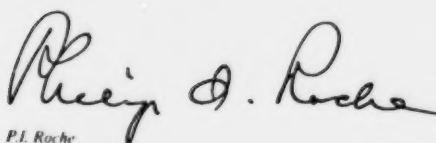
Four long serving Members of the Board retired in December. Frank K. Roberts served as a Board member from 1974-1983 and as Vice-Chairman from 1983-1986. Reginald Milne and Daniel G. Wolfe served as Directors from 1980-1986 and W. George Beatty as a Director from 1981-1986. The Board extends its sincere thanks and appreciation for the active participation and wise counsel of these people over the years.

New appointees are: Michael J. Galligan of Almonte, John A. Macfie of Parry Sound, Owen J. Smith of New Liskeard, and Phyllis E. Wall of North Bay. We have welcomed these people to the Board and look forward to their help and participation.

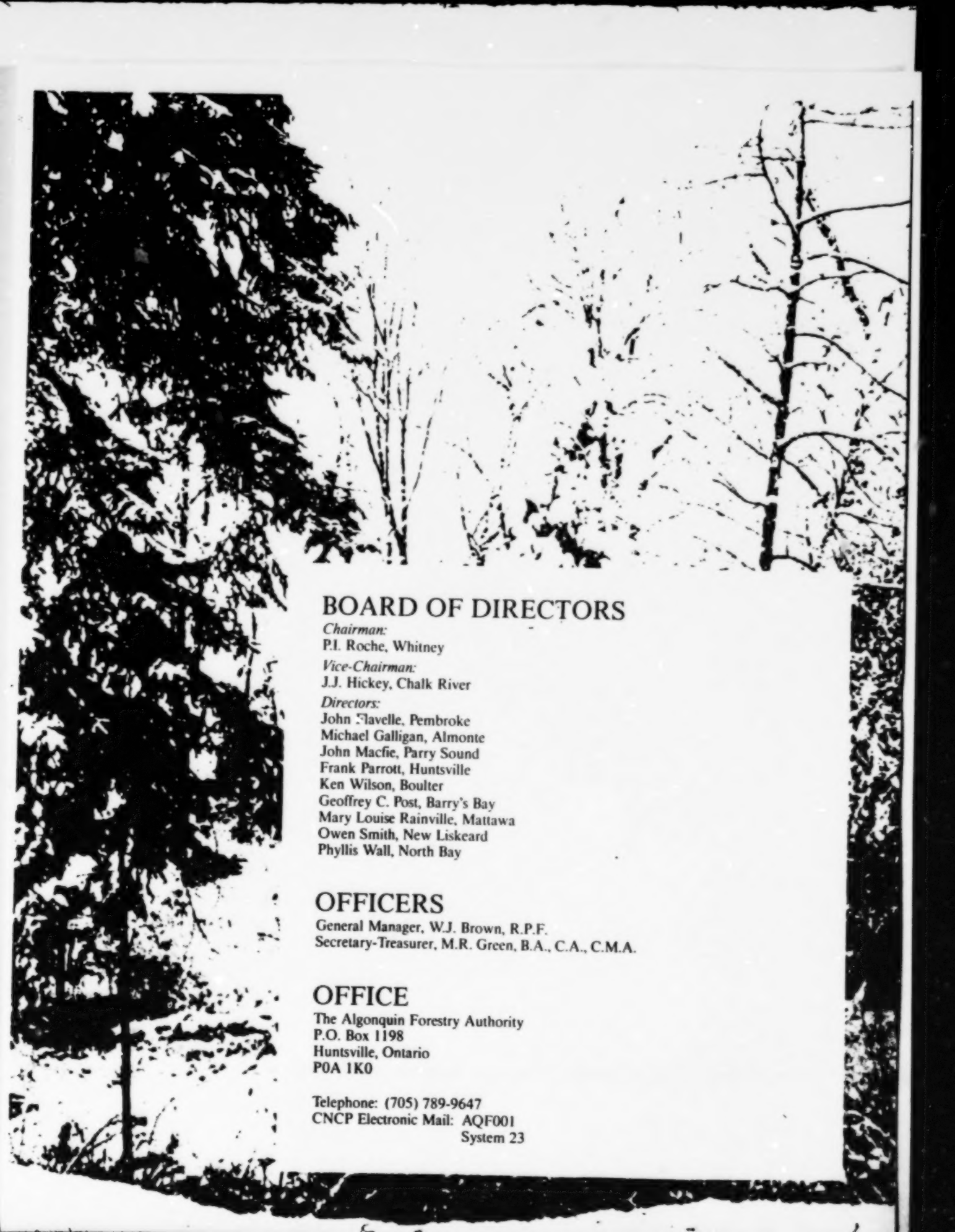
The Forest Industry in the region was subjected to various problems through the year. The imposition of an export tax on Canadian softwood lumber and the long debate leading up to it, caused a great deal of uncertainty, caution, and difficulty for softwood producers. Hardwood producers are struggling with static prices and restricted markets for the lower grades. The desirability of more mills in the area which utilize the large amounts of sawdust, shavings, and wood chips which are available, is increasingly evident. The pulping sector is the one bright spot in an otherwise struggling industry.

The Board wishes to compliment the General Manager and the staff for a job well done. The contractors and their employees from the communities around the Park continue to do excellent work. The co-operation and support of clients, and the valuable collaboration of the Ministry of Natural Resources is very much appreciated.

The year ahead will undoubtedly present new challenges, but the Board is confident that this unique arrangement to effect integrated resource management will be up to these challenges.



P.J. Roche
Chairman



BOARD OF DIRECTORS

Chairman:

P.I. Roche, Whitney

Vice-Chairman:

J.J. Hickey, Chalk River

Directors:

John Flavelle, Pembroke
Michael Galligan, Almonte
John Macfie, Parry Sound
Frank Parrott, Huntsville
Ken Wilson, Boulter
Geoffrey C. Post, Barry's Bay
Mary Louise Rainville, Mattawa
Owen Smith, New Liskeard
Phyllis Wall, North Bay

OFFICERS

General Manager, W.J. Brown, R.P.F.
Secretary-Treasurer, M.R. Green, B.A., C.A., C.M.A.

OFFICE

The Algonquin Forestry Authority
P.O. Box 1198
Huntsville, Ontario
POA 1K0

Telephone: (705) 789-9647
CNC Electronic Mail: AQF001
System 23



INTRODUCTION

Logging originated around 1840 in the area which subsequently became Algonquin Park. Logging, one of the multiple uses to which the Park was dedicated in 1893, has continued to the present.

The Ontario Government established the Algonquin Forestry Authority on January 4, 1975, in response to public concern for the most beneficial means of maintaining a multiple-use approach in Algonquin Provincial Park.

The Authority operates in conformity with the Algonquin Provincial Park Master Plan and the Forest Management Plan for Algonquin Provincial Park, successfully applying the principles of integrated resource management. The public interest in the quality of the Park for recreation is balanced with the need to maintain an adequate supply of logs to mills dependent on Park timber (1).

The forest industry supplied by Algonquin Park timber comprises ten sawmills, three veneer mills, one pole plant, one pulp mill and one match splint mill which are wholly or partly dependent on this vital source of raw material. Direct contribution by Algonquin logging and primary manufacturing to the Ontario economy was \$51 millions in terms of 1985 value added (2).

GOALS AND OBJECTIVES

The goal of forest management in Algonquin Park is:

To produce a continuous supply of forest products to the forest industry of the region in harmony with other uses and in a way that preserves other values.

To accomplish this goal, the following objectives have been established:

1. To manage and upgrade the quality of the forest to insure the long term needs of local industry.
2. To effectively utilize the range of products that the forest will yield.
3. To maintain a forest cover which satisfies the requirements of regeneration, aesthetics and preservation of the diverse vegetation types.
4. To preserve and protect recreational values, fish and wildlife habitat, soil and water resources.

STRATEGIES

The Authority meets the first two objectives by contracting with local loggers and with mill operators for production and delivery of forest products to the sixteen dependent mills.

Logging operations are fully integrated to generate a variety of forest products. Aggressive marketing practices are used in disposing of surplus low grade products.

The second two objectives are met by sound planning and controlled implementation within regulated standards. Silviculture prescriptions specify various degrees of partial cutting in the principal working groups. Residual stands will provide subsequent harvests and seed for natural regeneration. Logging impact is minimized by buffer zones along lakeshores, watercourses and other sensitive features. Road location and construction are done discreetly to facilitate natural and assisted rehabilitation of trail and stream crossings after use.

- 1) Forest Management Plan Algonquin Provincial Park, Algonquin Forestry Authority 1980
- 2) The Forest Industry in the Economy of Ontario, Ministry of Natural Resources, 1981

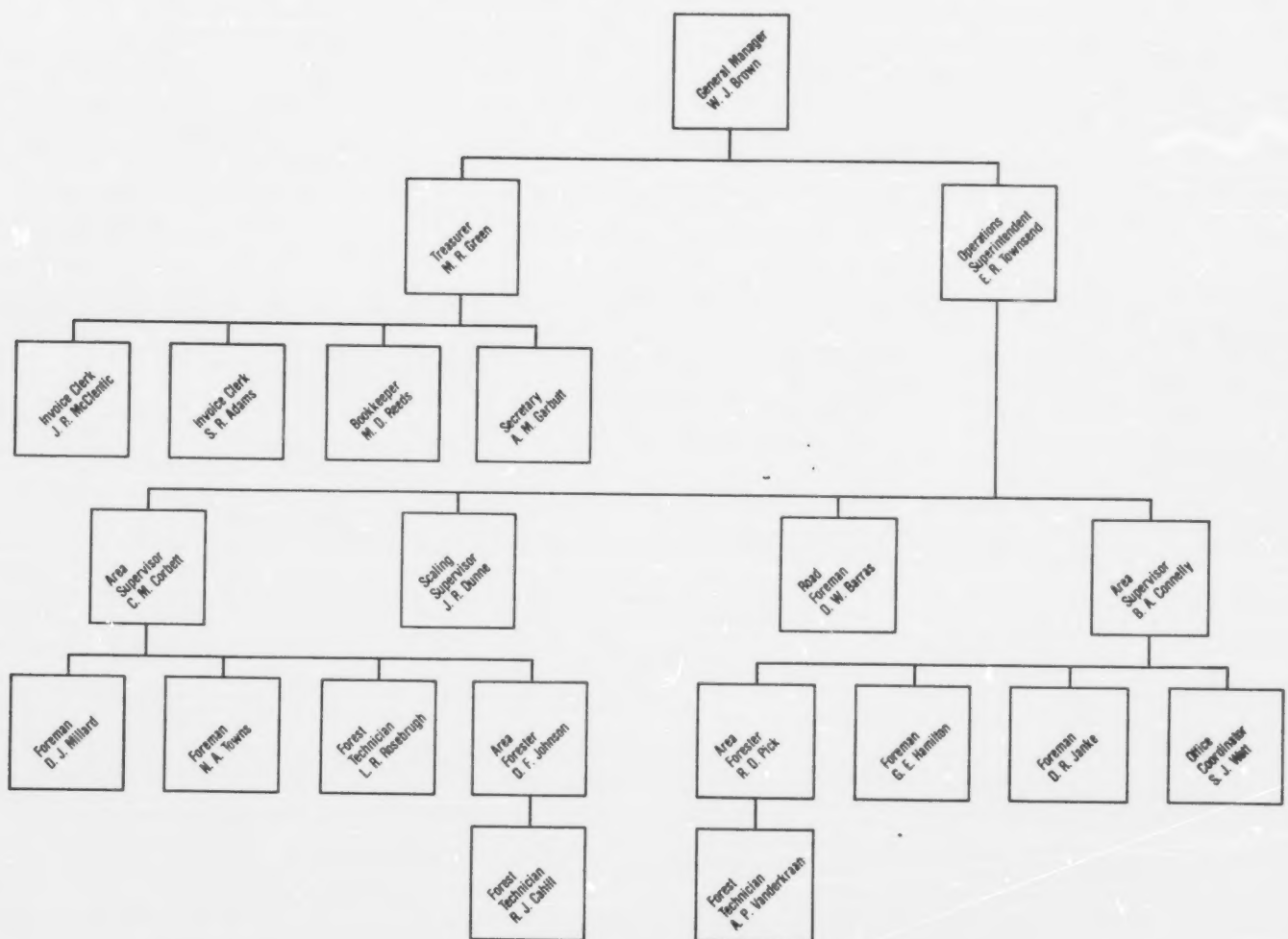


Pine Plantation





ALGONQUIN FORESTRY AUTHORITY ORGANIZATION CHART



1986-87 Board of Directors

RESULTS OF OPERATIONS:

Poor market conditions resulted in an 8% decline in product sales to \$8,335,685 and an 8% decline in standing timber sales to \$718,175.

Other revenue increased by \$169,465 to \$214,241 because of higher interest income and the Authority acting as construction manager on a road building project outside the Park.

During the year additional funds were spent on operations planning and capital roads which resulted in higher depreciation expense.

Net income declined 88% because of these additional activities, to \$14,870.

Forest management undertaking revenue relates directly to logging and declined 6% to \$987,556. Stand improvement contracts increased by \$153,836 over 1985-86 to \$217,484.

Net income increased 7% to \$116,186.



Selection Cutting in Hardwood

FINANCIAL POSITION:

The current ratio, current assets to current liabilities, remained strong at 3.7 to 1.0.

The trend of reinvesting earnings continued with net fixed assets increasing by \$157,532. The major fixed asset expenditure was capital roads.

LOGGING OPERATIONS:

The total volume of forest products produced and delivered in the year was 404,103 cubic metres, down 8.5% from 1985-86.

Pine and spruce sawlog volumes were down 14% from 1985-86 and pulpwood, boltwood and fuelwood volume declined 8.9% to 167,455 cubic metres. Hemlock volume was up 12% largely due to an inventory from the 1985-86 season.

The proportion of volume produced with a tree length system of logging has been increasing in recent years. In 1986 approximately 113,000 cubic metres, 27% was produced in this fashion.

The logging contractor with the best safety record in 1986-87 was Basil Visneskie and Sons Ltd.



Safety Award Banquet

SALES

The imposition of a 15% export tax on Canadian softwood lumber, and the long debate leading up to that decision created an atmosphere of uncertainty and caution throughout the year. Sawmills were reluctant to accumulate inventory. Sales of pine and spruce sawlogs were down 14% from a year earlier.

Low sales prices for the lower grades of hardwood lumber results in pressure on log prices and quality standards.

The pulp sector experienced improvements during the year but pulpwood and sawmill residue supply is readily available and prices continue to be depressed. Softwood pulpwood was particularly difficult to sell throughout the year.

A volume of 23,796 cubic metres of low quality hardwoods were sold as fuelwood.

OPERATIONS PLANNING AND CONTROL

Field work is underway to plan for the 1990-1995 operating period. Areas eligible for harvest in this period are being surveyed to gather data for preparation of the plan. An area of 25,392 hectares was surveyed during the year. The data is being entered on a computer database program for storage and analysis.

The Annual Report (cutover survey) mapped a total of 12,330 hectares for the 1985-86 season. The volume recovered per hectare averaged 35 cubic metres.

The 1978 inventory classified 13,700 hectares as "Barren and Scattered." A field survey of these areas was completed during the year and a report of the findings, including a proposal for remedial action, where necessary, has been presented to the Ministry of Natural Resources.

The annual work schedule for the year was approved by the Ministry of Natural Resources after discussion, and modifications were agreed to.

CONSTRUCTION AND REPAIR

Regular maintenance on public access roads included grading, dust abatement, brush control, and repairs as needed. Crushed gravel was applied to the Lake Traverse road from km 19 to km 29.

Last year's annual report indicated that a formal amendment to the Forest Management Plan was proposed, to allow seasonal road crossings of the Crow and Nipissing Rivers. This proposal was approved in June subject to a number of conditions.

In September and October approaches and bridges were constructed at points on the Crow and Nipissing Rivers to provide seasonal access to parts of the recreation-utilization zone. These crossings can be used only during the fall and winter months.

The Authority acted as construction manager for the Ministry of Natural Resources in the reconstruction of 17 km of road outside of the Park in Boyd Township. This existing road had ditches re-established, culverts replaced, and gravel applied.



Heron Nests



PRODUCT DISTRIBUTION (CUBIC METRES)

Product	Annual Available Harvest	Annual Allocation	Surplus Available	Total Harvest 1986-87	Total 1985-86
Hardwood Veneer Logs	10.732	12.740	—	7.304	6.429
Hardwood Sawlogs	121.144	121.645	—	88.434	102.443
Hemlock Sawlogs	73.883	47.350	26.533	43.234	38.677
Pine Sawlogs	68.000	68.000	—	64.839	76.928
Spruce and Balsam Sawlogs	12.000	12.000	—	20.839	22.980
Poplar Splint Logs	4.620	4.620	—	4.232	4.618
Red Pine Poles	6.370	6.370	—	7.766	5.793
Pulpwood, Boltwood and Fuelwood	313.651	155.270	158.381	167.455	183.743
TOTAL	610.400	427.995	184.914	404.103	441.611



REHABILITATION

Culverts were removed from creeks in three locations and the stream banks restored to a natural state.

At two locations where winter roads crossed hiking trails, the trail area and the approaches were rehabilitated by contouring and planting. Contouring of banks and planting of trees was done on four gravel pit areas.

FOREST MANAGEMENT

A total of 12,341 hectares of area was marked for harvesting during the season. An area of 2004 hectares was marked under the uniform shelterwood system and 9274 hectares using the selection system. Seed tree and clear cut systems were used for the balance of the area.

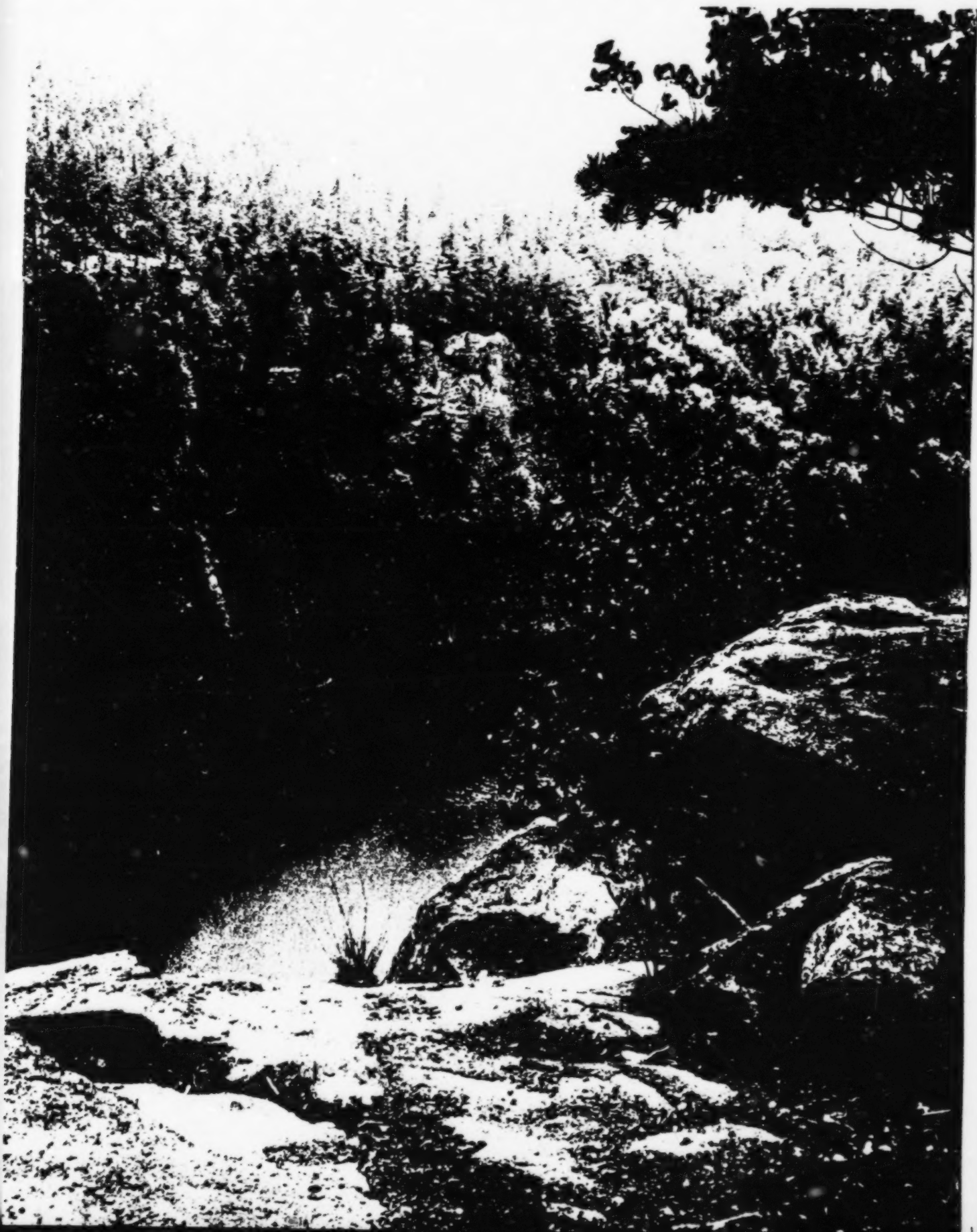
Stand improvement operations were completed on 3097 hectares of tolerant hardwood area by removing defective and cull trees.

Juvenile spacing was completed on 210 hectares of twelve year old pine stands in White Township. These very dense stands were thinned to provide more favourable growing conditions for the red pine component. An additional 240 hectares is planned for 1987-88.

Close monitoring of Gypsy Moth population levels indicated presence, but did not warrant control measures within the Park. Some spraying took place outside the Park area.

There were 75,200 pine trees planted in the vicinity of 1983-84 blowdown area. The total trees planted in this area is now 700,000.







PERSONNEL

Total regular staff numbers remained at 21 with seasonal staff numbering up to 35 during the May to December period. Silvicultural contractors were engaged for part of the tree marking program, and for the juvenile spacing project.

Staff attended training courses in performance appraisal, computer usage, presentation skills, and accounting to upgrade their skills.

PUBLIC RELATIONS

Several tours of various aspects of Forest Management in Algonquin Park were conducted for visitors from several parts of Canada and as far away as Harbin, China.

A variety of speaking engagements were completed including the annual meeting of the Canadian Pulp and Paper Association, and Lakehead University.

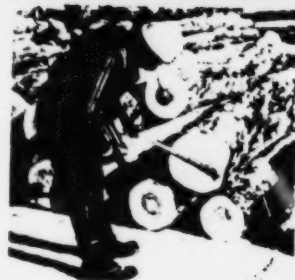
Planning began for the production of a short film about the workings of the Algonquin Forestry Authority.

FORECAST 1987-88

Logging production of 422,500 cubic metres is planned, up slightly from the 1986-87 actual of 404,103 cubic metres.

The prospects for the pulp industry appear to remain favourable at least through to 1989.

The sawmilling industry, however, is confronted with a variety of problems including export taxes, static prices, and stiff competition. These problems are expected to continue throughout the year.



Visitors from Harbin, China

ALGONQUIN FORESTRY AUTHORITY

(Incorporated without share capital under the Algonquin Forestry Authority Act)

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BALANCE SHEET AS AT MARCH 31, 1987

Assets

	1987 (\$)	1986 (\$)
Current Assets		
Cash	329,462	130,392
Accounts receivable	1,124,499	1,288,026
Inventory	139,140	180,153
Prepaid expenses	454	2,570
	<u>1,593,555</u>	<u>1,601,141</u>
Fixed (note 3)	<u>766,060</u>	<u>608,528</u>
Deferred charge	67,865	90,487
	<u><u>2,427,480</u></u>	<u><u>2,300,156</u></u>

Liabilities and Surplus

Current Liabilities		
Accounts payable and accrued liabilities	354,131	313,914
Contractors' performance holdbacks	79,769	116,222
	<u>433,900</u>	<u>430,136</u>
Deferred credit (note 4)	—	7,496
Surplus	<u>1,993,580</u>	<u>1,862,524</u>
	<u><u>2,427,480</u></u>	<u><u>2,300,156</u></u>

See accompanying notes to financial statements.

On behalf of the Board:

Philip A. Roche

Director

James J. Hickey

Director

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1987

	1987 (\$)	1986 (\$)
Revenue		
Product sales	8,335,685	9,036,585
Standing timber sales	718,175	778,323
Other	214,241	44,776
	9,268,101	9,859,684
Expenditure		
Operating — direct		
Logging and distribution costs	6,852,686	7,464,037
Crown timber stumpage charges	1,089,219	1,147,221
Road maintenance	209,951	88,462
Operations planning	66,081	13,414
Area charges	15,477	13,892
	8,233,414	8,727,026
Operating income	1,034,687	1,132,658
Administrative — indirect operating and other		
Salaries and benefits	617,388	591,488
Depreciation and amortization	190,780	155,640
Office supplies and expenses	73,306	71,391
Directors' allowances and expenses	30,382	31,354
Office rent	22,343	21,570
Interest	18,247	22,393
Consulting	15,331	31,595
Staff training	13,591	10,037
Staff travel	13,227	8,483
Insurance	11,002	8,474
Bad debt expense	8,792	3,827
Public relations	4,768	25,241
Legal	660	612
Staff recruitment and relocation	—	22,046
	1,019,817	1,004,151
Net income for the year	14,870	128,507
Net income for the year — Forest Management Undertaking (Schedule)	116,186	108,550

See accompanying notes to financial statements.

STATEMENT OF SURPLUS FOR THE YEAR ENDED MARCH 31, 1987

	1987 (\$)	1986 (\$)
Algonquin Forestry Authority		
Surplus, beginning of year	1,432,343	1,302,836
Net income for the year	14,870	128,507
Balance, end of year	1,447,213	1,432,343
Forest Management Undertaking (note 2)		
Unappropriated surplus, beginning of year	337,657	267,188
Net income for the year	116,186	108,550
Appropriated for replacement of fixed assets	(49,474)	(38,081)
Fixed assets replaced	15,796	—
Unappropriated surplus, end of year	420,165	337,657
Appropriated surplus, beginning of year	92,524	54,443
Appropriated for replacement of fixed assets	49,474	38,081
Fixed assets replaced	(15,796)	—
Appropriated surplus, end of year	126,202	92,524
Balance, end of year	546,367	430,181
Surplus, end of year	<u>1,993,580</u>	<u>1,862,524</u>

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1987

	1987 (\$)	1986 (\$)
Cash provided by operating activities		
Cash from operations		
Net income for the year:		
Algonquin Forestry Authority	14,870	128,507
Forest Management Undertaking	116,186	108,550
Add (deduct) charges to operations not requiring a current cash payment:		
Depreciation and amortization	198,495	161,528
Gain on sale of fixed assets	(7,217)	(7,300)
Net change in non cash working capital balances related to operations	322,334	391,285
Cash provided by operating activities	210,410	60,147
Cash provided by operating activities	532,754	451,432
Cash (provided by) used in investing activities		
Proceeds on sale of fixed assets	(7,685)	(7,300)
Acquisition of fixed assets	341,369	319,231
Cash used in investing activities	333,684	311,931
Increase in cash during the year	199,070	139,501
Cash position, beginning of year	130,392	(9,109)
Cash position, end of year	<u>329,462</u>	<u>130,392</u>

See accompanying notes to financial statements.

FOREST MANAGEMENT UNDERTAKING FOR THE YEAR ENDED MARCH 31, 1987

(SCHEDULE)

	1987 (\$)	1986 (\$)
Revenue		
Forest management revenue (note 2)	987,556	1,047,303
Stand improvement	217,484	63,648
Operating reimbursements	159,000	165,000
Other	23,700	11,934
	1,387,740	1,287,885
Expenditures		
Direct Expenditure		
Wages and benefits	350,879	389,742
Stand improvement	213,880	103,473
Heavy equipment rental	155,731	137,017
Sub contractors — tree marking and other	117,323	25,970
Paint	59,131	59,138
Salt and calcium	53,263	49,664
Vehicle costs	40,945	41,622
Materials	18,890	73,480
Board and provisions	11,742	14,448
Vehicle rental	5,904	15,055
Planting stock	348	40,330
	1,028,036	949,939
Indirect expenditure		
Salaries and benefits	125,660	132,565
Staff training	12,700	16,172
Radio rentals	4,697	4,344
	143,057	153,081
	1,171,093	1,103,020
Operating Income	216,647	184,865
Administrative		
Salaries and benefits	52,354	43,630
Consulting	12,610	—
Office expense	8,985	10,944
Insurance	8,771	4,655
Office rent	8,655	9,210
Depreciation (note 3)	7,715	5,888
Staff travel	1,371	1,988
	100,461	76,315
Net income for the year	<u>116,186</u>	<u>108,550</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1987

1. Significant Accounting Policies

a) Basis of Accounting.

The financial statements have been prepared in accordance with generally accepted accounting principles.

b) Inventory.

Inventory is stated at the lower of cost and net realizable value.

c) Depreciation and amortization of fixed assets.

Depreciation is provided for on the straight line method, generally using rates of 10 per cent per annum for furniture, fixtures, technical equipment, buildings and structures, 20 per cent per annum for data processing equipment and 33 1/3 per cent per annum for automotive equipment. The cost of capital roads is amortized over the estimated number of operating seasons for which the roads are to be used, with a maximum amortization period of ten years.

d) Deferred charge.

Certain costs incurred in the development of a comprehensive forest management plan applicable to the period April 1, 1980 to March 31, 1990 were deferred and are being amortized on a straight line basis over 10 years.

2. Forest Management Undertaking

Effective April 1, 1983, the Authority undertook certain forest and land management activities formerly carried out by the Ministry of Natural Resources. Funding to conduct these activities is derived from operating reimbursements from the Ministry and from the retention of approximately 90 percent of the stumpage fees normally remitted to the Ministry.

3. Fixed Assets

Fixed assets in service are stated at cost and consist of:

	1987 (\$)		1986 (\$)	
	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Furniture and fixtures	52,295	30,678	48,660	27,234
Data processing	72,390	34,867	67,310	20,571
Technical equipment	35,658	13,885	34,733	11,025
Automotive equipment	145,414	97,682	148,490	95,260
Buildings and structures	14,137	12,933	14,137	11,520
Capital roads	1,125,078	503,403	849,200	388,392
Forest management equipment	15,796	1,260	—	—
Forest management undertaking (note 4)	242,689	—	235,193	—
	1,703,457	694,708	1,397,723	554,002
Forest management undertaking grants (note 4)	(242,689)		(235,193)	
	1,460,768		1,162,530	
	(694,708)		(554,002)	
	766,060		608,528	

Some of the Authority's fixed assets are used to carry out activities of the Forest Management Undertaking (FMU). As a result, the FMU has been charged depreciation of \$7,715 (1986-\$5,888) on such assets.

4. Deferred Credit

The Ministry of Natural Resources has contributed \$242,689 for capital expenditures relating to the Forest Management Undertaking all of which has been spent as at March 31, 1987.

5. Commitments

The Authority rents premises under two leases which expire on November 30, 1988 and February 28, 1989.

The current annual rent excluding escalation costs, under these leases, is \$5,800 and \$25,300 respectively.

6. Remuneration of Appointees

Total remuneration of the board members of the Authority was \$13,110 during the 1987 fiscal year.



Office of the Provincial Auditor

Parliament Buildings
Queen's Park
Toronto, Ontario
M7A 1A2
416/965-1381

To the Members,
Algonquin Forestry Authority,
and to the
Minister of Natural Resources.

I have examined the balance sheet of the Algonquin Forestry Authority as at March 31, 1987 and the statements of operations, surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
July 10, 1987.

A handwritten signature in cursive script, reading 'D.F. Archer'.

D.F. Archer, F.C.A.,
Provincial Auditor

